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ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL

SUNSET, LOUISIANA

ANNUAL FINANCIAL REPORT

JUNE 30, 2008 AND 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/10/18

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To the Board of Directors

St. Landry Waterworks District No. 2 Rural



#### JOHN S. DOWLING & COMPANY A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

#### INDEPENDENT AUDITOR'S REPORT

John S. Dowling, CPA 1904-1984 John Newton Stout, CPA 1936-2005

Retired

Harold Dupre, CPA 1996 Dwight Ledoux, CPA 1998 Joel Lanclos, Jr., CPA 2003 Russell J. Stelly, CPA 2005

Sunset, Louisiana We have audited the accompanying financial statements of the business-type

activities of the St. Landry Waterworks District No. 2 Rural, a component unit of the St. Landry Parish Government, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of St. Landry Waterworks District No. 2 Rural's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of St. Landry Waterworks District No. 2 Rural, as of June 30, 2008 and 2007, and the results of its operations and cash flows of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2008 on our consideration of St. Landry Waterworks District No. 2 Rural's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Directors St. Landry Waterworks District No. 2 Rural Page 2

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the St. Landry Waterworks District No. 2 Rural's basic financial statements. The management's discussion and analysis and other required supplementary information on pages 3 through 6 and 21 through 23 are presented for the purposes of additional analysis and are not a required part of The accompanying Schedule of Expenditures of the basic financial statements. Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations," and is also not a required part of the basic financial statements of the St. Landry Waterworks District No. 2 Rural. schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The management's discussion and analysis and other required supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

John S. Dowling & Company
Opelousas, Louisiana
September 24, 2008

Management's Discussion and Analysis For the Year Ended June 30, 2008 (Unaudited)

The Management's Discussion and Analysis of the St. Landry Waterworks District No. 2 Rural (Water District) presents an overview and analysis of the Water District's financial activities for the fiscal year ended June 30, 2008. Please read this document in conjunction with the Water District's annual financial report.

#### Financial Highlights

- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$499,459 include property and equipment, net of accumulated depreciation, and reduced for debt related to purchases of capital assets.
  - (2) Unrestricted net assets of \$144,308.
  - (3) Restricted net assets of \$26,854 for debt service and \$100 for construction.
- Total revenues of \$383,075, exceeded the total expenditures of \$378,937 which resulted in an increase of \$4,138, compared to the prior year's deficiency of \$27,245.
- Total operating revenues increased by \$58,402 from the prior year, due to an increase in water sales, and operating expenses increased by \$27,019 from the prior year.

#### Overview of the Financial Statements

The Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of the management's analysis of St. Landry Parish Waterworks District No. 2 Rural's financial condition and performance.

The financial statements report information on the Water District using full accrual accounting methods. The financial statements include the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The Statement of Net Assets provides a basis for evaluation of the Water District's financial position.

The Statement of Revenues, Expenses, and Changes in Net Assets, provides the Water District information on it's revenues and expenses during the fiscal year and will determine if the Water District had enough revenue to cover the expenditures.

The Statement of Cash Flows reports net cash provided by operating activities, capital and related financing activities, and investing activities.

#### The Fund Financial Statements

There is a general operating account that consists of the revenues from the water consumption payments. Also included in this operating account are: past due penalty fees, water service disconnection and reconnection fees, and interest payments from the bank. All Water District expenses are paid from this account.

There is a separate account for the customer water deposits and new meter payments, which is identified as the Meter Account. When the new meter is installed, the money paid by the customer for the new meter is transferred to the general Operating Account and the acquired expenses are then paid.

There are three savings accounts set up, called the Revenue Fund, the Depreciation Fund, and the Reserve Note Fund. These accounts hold money for grant/loan money that is being paid by the Water District monthly to the United States Department of Agriculture/Rural Development.

There are three certificates of deposit that are secondary accounts that hold reserve money for the USDA grant/loan.

There is an account set up as a NOW Account that is a holding account for emergency funds.

#### FINANCIAL ANALYSIS OF THE WATER DISTRICT

	06/30/08	06/30/07
Current Assets	\$116,180	\$125,489
Restricted Assets	140,960	169,156
Capital Assets	2,122,621	2,234,172
Other Assets	43,072	44,376
Total assets	2,422,833	2,573,193
Total liabilities	1,752,112	1,823,505
Net Assets:	·	
Invested capital assets,		
net of debt	499,459	586,061
Restricted .	26,954	61,887
Unrestricted	<u>144,308</u>	101,740
Total net assets	<u>670,721</u>	<u>749,688</u>

Net assets of the Water District decreased by \$78,967 from June 30, 2007 to June 30, 2008.

	6/30/08	06/30/07
Operating Revenues Operating Expenses Operating Income	\$383,075 <u>378,937</u> 4,138	\$324,673 <u>351,918</u> (27,245)
Non-Operating Revenues (Expenses)	(83,105)	(46,830)
Net increase (decrease) in net assets	<u>(78,967</u> )	<u>(74,075</u> )

#### Capital Assets and Debt Administration

As of June 30, 2008, the Water District had \$2,122,621, net of accumulated depreciation, invested in property, water plant, and equipment. There is a breakdown below.

	2008	2007
Land	\$17,500	\$17,500
Water System	2,913,109	2,913,109
Equipment	32,357	26,884
Automobile	20,009	20,009
Buildings/Improvement	45,194	45,194
Office Equipment	10,503	10,503
Land Improvements	12,725	12,725
Less Accumulated Depreciation	(928,776)	(811,752)
Total Property, Plant and		
Equipment	2,122,621	2,234,172

#### Debt Outstanding

As of June 30, 2008, the Water District had \$1,692,708 in outstanding debt in bonds and notes. The debt originated in 1989 to construct water lines and a water plant. Also, included in this debt is \$835,000 in Water Revenue Bonds Series 2007. The outstanding debt decreased by \$19,523 from the \$1,712,231 due at the end of June 30, 2007.

The principal payments of \$7,853 a month on the bonds were made in the business-type activity. A total of \$103,448 was paid out on bonds for principal and interest for the fiscal year ended June 30, 2008.

The Waterworks District owed the Village of Cankton \$20,674 for water purchased in prior years. This amount was paid out over a three year period at \$6,891 per year without interest starting in December, 2005. The final payment was made in December 2007 to the Village of Cankton in the amount of \$6,891.

#### Economic Factors

The Water District is a water system designed to serve the rural areas of Sunset, Church Point, Carencro, Opelousas, and Cankton. The population served, according to the State of Louisiana guide of three people served per household, is currently 3,759 customers. The population is increasing each month due to line extension made on the system, which covers areas in Carencro, Cankton, and Opelousas.

This rural area is growing and increasing the revenue for the Water District with the population's demand for potable water.

#### Request for Information

This Management's Discussion and Analysis for the Water District is designed to give our customers and creditors a general accountability for all finances. If you have any questions regarding this report or need additional information regarding the District's finances, please contact the secretary at the Water District's office at 253 Marie Street, Sunset, Louisiana 70584.

# ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL SUNSET, LOUISIANA STATEMENTS OF NET ASSETS JUNE 30, 2008 AND 2007

#### BUSINESS-TYPE ACTIVITIES

	PROPRIETARY FUND		
·	2008	2007	
ASSETS			
<del></del>			
CURRENT ASSETS			
Petty cash	\$60	\$60	
General account - checking	54,102	65,584	
General account - savings	4,720		
Revenue account - certificate of deposit	1,348	1,277	
LAMP investment	11,679	11,231	
Accounts receivable	47,990	48,944	
Less: Allowance for doubtful accounts	(3,848)	(4,343)	
Interest receivable		203	
Other receivables	. 12	66	
Due from restricted assets	117	2,467	
Total current assets	116,180	125,489	
RESTRICTED ASSETS			
Depreciation and Contingency Fund	10 700		
Savings	12,703	8,194	
Certificates of deposit	14,151	13,402	
Construction account - checking	100	35,563	
Reserve note fund			
Savings	39,241	34,560	
Certificates of deposit	28,979	27,445	
Revenue savings account	3,369	3,347	
Due from General Fund	400		
Cankton water			
Checking account		4,728	
Customers' deposits			
Bank of Sunset - checking	42,017	41,917	
Total restricted assets	140,960	169,156	
DECEMBER DIAME AND DOLLERAND			
PROPERTY, PLANT, AND EQUIPMENT			
Water system	2,913,109	2,913,109	
Equipment	32,357	26,884	
Autos	20,009	20,009	
Buildings/improvements	45,194	45,194	
Furniture	6,469	6,469	
Software	4,034	4,034	
Land improvements	12,725	12,725	
	3,033,897	3,028,424	
Less: Allowance for depreciation	<u>(928,776</u> )	(811,752)	
	2,105,121	2,216,672	
Land	17,500	17,500	
Total property, plant, and			
equipment	2,122,621	2,234,172	
OTHER ASSETS			
Bond issue costs, net	43,072	11 276	
Total other assets		44,376	
TOTAL OCHEL ASSECT	43,072	44,376	
Total assets	2,422,833	2,573,193	
<del></del>	<del></del>		

Continued on next page.

## ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL SUNSET, LOUISIANA STATEMENTS OF NET ASSETS (CONTINUED) JUNE 30, 2008 AND 2007

BUSINESS-TYPE ACTIVITIES

•	PROPRIETAR			
	2008	2007		
LIABILITIES				
CURRENT LIABILITIES (from current assets)				
Accounts payable	\$12,422	\$24,406		
Sales tax payable	63	37		
Payroll tax withheld and payable	2,059	2,092		
Current portion of long-term debt	26,269	23,300		
Due to restricted assets	400	34,699		
Total current liabilities	41,213	84,534		
CURRENT LIABILITIES (from restricted assets)				
Accrued interest payable	2,443	1,232		
Customers' deposits	41,900	39,450		
Due to General Fund	117	2,467		
Total restricted liabilities	44,460	43,149		
LONG-TERM LIABILITIES				
Revenue bonds	1,692,708	1,712,231		
Cankton water liability		6,891		
Less: Current portion of long-term debt	(26,269)	(23,300)		
Total long-term liabilities	1,666,439	1,695,822		
Total liabilities	1,752,112	1,823,505		
NET ASSETS				
Invested in capital assets, net of related debt	499,459	586,061		
Restricted for:				
Construction	100	35,563		
Cankton water liability		4,728		
Depreciation fund	26,854	21,596		
Unrestricted	144,308	101,740		
Total net assets	670,721	749,688		

### ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL SUNSET, LOUISIANA

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

BUSINESS-TYPE ACTIVITIES
PROPRIETARY FUND

	PROPRIETARY FUND		
	2008	2007	
OPERATING REVENUES			
Water sales	\$330,677	\$273,778	
Connection fees	30,540	33,760	
Late fees	6,503	4,050	
Disconnect notice fees	13,910	11,970	
Other revenue	1,445	1,115	
Total operating revenues	383,075	324,673	
OPERATING EXPENSES			
Current			
Supplies		•	
Water supplies	27,748	42,766	
Office supplies	18,761	13,548	
Other			
Salaries	60,052	55,062	
Payroll taxes	5,905	5,608	
Repairs and maintenance	20,816	20,606	
Insurance	15,291	15,466	
Dues and subscriptions	294	456	
Conventions and seminars	561	457	
Postage	4,670	4,233	
Auto and truck	12,197	9,375	
Professional fees	9,335	7,000	
Telephone	7,038	5,304	
Utilities	21,339	15,511	
Per diem and travel allowance	8,400	8,220	
Janitorial	1,243	313	
Miscellaneous	201	36	
Meter connection contract fee	16,355	19,600	
Louisiana One Call	999	726	
Water purchases - Cankton	30,708	26,733	
Depreciation	117,024	100,898	
Total operating expenses	378,937	351,918	
EXCESS (DEFICIENCY) OF REVENUES OVER			
(UNDER) EXPENSES	4,138	(27,245)	
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	3,334	4 411	
Interest expense	(85,136)	4,411 (50,594)	
Amortization of bond issue costs	(1,303)	(647)	
Total non-operating revenues	(1,303)	/	
(expenses)	(83,105)	(46,830)	
DECREASE IN NET ASSETS	(78,967)	(74,075)	
NET ASSETS, beginning of year	749,688	823,763	
NET ASSETS, end of year	670,721	749,688	

BUSINESS-TYPE ACTIVITIES

### ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL SUNSET, LOUISIANA STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

PROPRIETARY FUND CASH FLOWS FROM OPERATING ACTIVITIES Cash received from customers \$386,267 \$318,179 Cash paid to suppliers (214,830)(185, 813)(60,627) Cash paid to employees (65,990) Net cash provided by operating <u>activities</u> 105,447 71,739 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES (40, 172)(723, 402)Purchase of property, plant, and equipment Principal paid on bonds (19,523)(232,597)Bond proceeds 835,000 Interest paid on bonds (83,925)(50,614)Bond issue costs (12,559) Net cash used by capital and related financing activities (143,620) (184, 172)CASH FLOWS FROM INVESTING ACTIVITIES Interest on investments and savings 3,334 4,411 Interest reinvested in certificates of deposit (2,354)(2,911)Net cash provided by investing activities 980 1,500 NET DECREASE IN CASH AND CASH EQUIVALENTS (37,193)(110,933)CASH AND CASH EQUIVALENTS, beginning of year 205,184 316,117 CASH AND CASH EQUIVALENTS, end of year 167,991 205,184 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES Operating income (loss) \$4,138 \$(27,245) Adjustments to reconcile operating income to net cash provided by operating activities Depreciation 117,024 100,898 Changes in assets and liabilities (Increase) decrease in accounts receivable, net 459 (11,207)(Increase) decrease in other receivable 257 (188)Increase (decrease) in accounts payable (11,984)11,429 Increase (decrease) in sales tax payable 27 Increase (decrease) in customers' deposits 2,450 4,900 Increase (decrease) in other payable (6,891) (6,892)Increase (decrease) in payroll tax payable (33) 43 NET CASH PROVIDED BY OPERATING ACTIVITIES 105,447 71,739

#### NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. SCOPE OF ENTITY

St. Landry Waterworks District No. 2 Rural, a component unit of the St. Landry Parish Government, was created by the St. Landry Parish Police Jury as authorized by Louisiana Revised Statute 33:3814. The ordinance creating this Waterworks District was dated August 14, 1989. The District is governed by a five member board of commissioners, appointed by the Parish Government, who are authorized to construct, maintain, and improve the waterworks system within the District.

As the governing authority of the parish, for reporting purposes, the St. Landry Parish Government is the financial reporting entity for St. Landry Parish.

The financial reporting entity consists of (a) the primary government (parish government) (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Landry Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

- 1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the Parish Government to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish Government.
- 2. Organizations for which the Parish Government does not appoint a voting majority but are fiscally dependent on the Parish Government.
- 3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Parish Government appoints a voting majority of the Water District's governing body and the Parish Government has the ability to impose its will on the Water District, the Water District was determined to be a component unit of the St. Landry Parish Government, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Water District and do not present information on the Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

#### NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### B. BASIS OF PRESENTATION

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statements of Net Assets displays information on all of the non-fiduciary activities of St. Landry Waterworks District No. 2 Rural, as a whole. They include the proprietary fund of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds are not included in the GWFS.

#### C. FUND ACCOUNTING

The accounts of St. Landry Waterworks District No. 2 Rural are organized in one fund, which is considered a separate accounting entity. The operations of the fund are accounted for by self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses. The fund presented in the financial statements is described as follows:

#### Proprietary Fund

Proprietary funds are used to account for operations that are financed and operated in a manner where the intent of the governing body is that the costs, (expenses) including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

#### D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

#### Measurement Focus

On the Statements of Net Assets, business-type activities are presented using the economic resources measurement focus.

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

#### Basis of Accounting

In the Statements of Net Assets, business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Unbilled and billed utility receivables are recorded at year-end. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

#### NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

#### Basis of Accounting - Continued

Purchases of operating supplies are regarded as expenditures at the time purchased and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year, unless material.

Proprietary funds are reported in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This standard requires that all applicable GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, be applied to proprietary activities unless they (FASB Statements and Interpretations, APB Opinions, and ARBs) conflict with or contradict GASB pronouncements. For the fiscal year ended June 30, 2004, St. Landry Waterworks District No. 2 Rural implemented the new financial reporting requirements of GASB Statements Nos. 33 and 34.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues for proprietary funds are charges to customers for sales or services. Principle operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

GASB Statement No. 20 also states that for proprietary activities, management may elect to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Proprietary activities under the control of the District have elected not to apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

#### E. INVESTMENTS

Investments are recorded at cost, which approximates market.

Louisiana statutes authorize St. Landry Waterworks District No. 2 Rural to invest in United States bonds, treasury notes or certificates, time certificates of deposit in state and national banks, the Louisiana Asset Management Pool, or any other federally insured investment.

#### NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### F. CAPITAL ASSETS

Capital assets (including infrastructure assets), which constitute assets of the Proprietary Fund, are recorded at cost and depreciation is computed under the straight-line method and the modified accelerated cost recovery method. The service lives by type of asset are as follows:

Water system	25	years
Equipment	5-7	years
Buildings/improvements	15-30	years
Furniture	7	years
Land improvements	15	years
Autos	5	years
Software	5	years

Interest costs during construction are not capitalized.

#### G. BUDGET ACCOUNTING

St. Landry Waterworks District No. 2 Rural is not required to adopt a budget for its Proprietary Fund.

#### H. STATEMENT OF CASH FLOWS

For purposes of reporting cash flows, all highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

#### I. ENCUMBRANCES

St. Landry Waterworks District No. 2 Rural does not employ the encumbrance system of accounting.

#### J. VACATION AND SICK LEAVE

St. Landry Waterworks District No. 2 Rural has two employees. Employees earn one week of vacation after one year of service. They earn two weeks of vacation after five years of service. Vacation cannot be accumulated. Employees are compensated at their hourly rate when sick.

#### K. BAD DEBTS

St. Landry Waterworks District No. 2 Rural has a policy of recognizing uncollectible amounts of water billings at the time information becomes available which would indicate the uncollectibility of the receivable.

#### NOTE (2) - CASH

The bank balances of cash, including investments, were \$214,748 and \$249,509 at June 30, 2008 and 2007, respectively and the carrying amounts of cash and investments were \$212,409 and \$247,247 at June 30, 2008 and 2007, respectively. Of the bank balances, at June 30, 2008 approximately \$161,912 is covered by FDIC insurance and approximately \$41,158 is covered by securities held by the bank in the District's name. Of the bank balances at June 30, 2007, approximately \$230,000 is covered by FDIC insurance and approximately \$10,000 is covered by securities held by the bank in the Districts name. Cash on hand was \$60 at June 30, 2008 and 2007. Investments consist of time certificates of deposit and direct investment in the Louisiana Asset Management Pool (LAMP).

Investments in certificates of deposit were \$44,478 and \$42,123 at June 30, 2008 and 2007, respectively. The Louisiana Asset Management Pool (LAMP) is a cooperative endeavor designed to create a local government investment vehicle. The cooperative endeavor was created at the initiative of the Louisiana State Treasurer's Office. With investment advice provided by professional investment manager and custody of the assets maintained by a major Louisiana bank, LAMP has been established to improve administrative efficiency and increase investment yield for all depositing members. Investments in LAMP were \$11,679 and \$11,231 at June 30, 2008 and 2007, respectively.

#### NOTE (3) - ACCOUNTS RECEIVABLE

St. Landry Waterworks District No. 2 Rural's accounts receivable consist of uncollected billed and unbilled utility services. An accounts receivable aging schedule is as follows:

	June 30, 2008		June 30, 2007	
		Number of		Number of
Days	Amounts	Accounts	Amounts	Accounts
0-90	\$13,323	955	\$15,681	1,017
91 and older	3,847	201	4,343	184
Unbilled receivables	30,820	1,253	28,920	1,201
<u>Total</u>	<u>47,990</u>		<u>48,944</u>	
Breakdown of customers	;			
Residential	1,236		1,188	
Commercial	17		13	
<u>Total</u>	<u>1,253</u>		1,201	

#### NOTE (3) - ACCOUNTS RECEIVABLE - Continued

The present water rates are as follows:

Residential monthly billing
First 2,000 gallons (minimum) \$12.25
Over 2,000 gallons (per 1,000 gallons) 2.35

Commercial monthly billing
First 2,000 gallons (minimum) 12.25
Over 2,000 gallons (per 1,000 gallons) 4.00

#### NOTE (4) - RESTRICTED ASSETS

Under the terms of the Loan Resolution Security Agreements with the United States Department of Agriculture, Farmers Home Administration, which is now called Rural Development, all funds received shall be pledged for the purpose of the following funds and shall be set aside into the following separate accounts:

All revenue received shall be set aside in an account to be designated as the General Account. The General Account shall be used to make the monthly debt service payments plus operating and maintenance expenses.

From the remaining funds in the General Account there shall be set aside into an account designated as the Reserve Account the sum of \$370 (\$410 beginning 2/20/08) each month until there is accumulated in that account the sum of \$98,266 after which deposits may be suspended, except to replace withdrawals.

There shall also be set aside into an account designated as a contingency account the sum of \$370 (\$410 beginning 2/20/08) each month until there is accumulated in the Reserve Account the sum of \$98,266. Monthly deposits will then increase to \$570.

St. Landry Waterworks District No. 2 Rural inadvertently continued to make monthly payments of \$370 per month in both of the accounts. Management will deposit the differences in both accounts in August, 2008.

The proceeds from loans with Rural Development shall be deposited in the Construction Account which shall be established as required by Rural Development. Withdrawals from the Construction Account shall be made only on checks signed by the president of St. Landry Waterworks District No. 2 Rural as authorized by the Board and with prior concurrence of Rural Development. St. Landry Waterworks District No. 2 Rural's share of any insurance or liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the facility. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by Rural Development and the Construction Account shall be closed.

#### NOTE (4) - RESTRICTED ASSETS - Continued

The total funds held in each account are as follows:

	June 30,		
	2008	2007	
General accounts	\$67,128	\$78,092	
Construction account	100	35,563	
Cankton water account		. 4,728	
Depreciation and contingency	26,854	21,596	
Reserve account	<u>71,589</u>	65,352	
•	165,671	205,331	

During the 2008 fiscal year, the Water System made twelve payments of \$370 into the Contingency Account and twelve payments of \$370 into the Reserve Account.

During the 2007 fiscal year, the Water System made eight payments of \$66 and four payments of \$370 into the Contingency Account and eight payments of \$398 and four payments of \$370 into the Reserve Account.

The customers' deposits account represents refundable fifty dollar deposits collected from homeowners and one hundred dollar deposits collected from renters requesting service connection. Customers' deposits are deposited in a separate cash account and totaled \$42,017 and \$41,917 at June 30, 2008 and 2007. There is an amount due to the General Fund from the customers' deposit account in the amount of \$117 at June 30, 2008. There was an amount due from the General Account to the customers' deposit account in the amount of \$2,467 at June 30, 2007.

The Waterworks District entered into an agreement with the Village of Cankton to pay the balance on water purchased from the Village in prior years. The Waterworks District paid the Village of Cankton a total of \$20,674 over the course of the last three years without interest. The first payment of \$6,891 was due in December, 2005. The Waterworks District set aside money each month in order to have the \$6,891 available when the payment was due in December. At June 30, 2008, the balance of the loan was paid out. The Waterworks District continued to make payments into the bank account, which is now designated as a savings account for general operations.

#### NOTE (5) - CAPITAL ASSETS

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2008:

Description of Property		fe in ears	Basis	Accumulated Depreciation	<u>Net</u>	Depreciation This Year
Water system	25	years	\$2,913,109	\$866,720	\$2,046,389	\$104,501
Equipment	5	years	32,357	24,716	7,641	3,846
Land		-	17,500		17,500	
Buildings/						
improvements	15-30	years	45,194	14,903	30,291	2,886
Furniture	7	years	6,469	4,964	1,505	924
Land improvements	15	years	12,725	1,935	10,790	1,184
Autos		years	20,009	11,504	8,505	3,502
Software		years	4,034	4,034		181
Totals			3,051,397	<u>928,776</u>	2,122,621	<u>117,024</u>

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2007:

Description of Property	Life in Years	Basis	Accumulated Depreciation	Net	Depreciation This Year
Water system	25 years	\$2,913,109	\$762,218	\$2,150,891	\$87,729
Equipment	5 years	26,884	20,870	6,014	4,373
Land	-	17,500		17,500	
Buildings/		`			
improvements	15-30 years	45,194	12,017	33,177	2,886
Furniture	7 years	6,469	4,041	2,428	924
Land improvements	15 years	12,725	751	11,974	177
Autos	5 years	20,009	8,002	12,007	4,002
Software	5 years	4,034	3,853	181	807
<u>Totals</u>		3,045,924	811,752	2,234,172	100,898

#### NOTE (6) - LONG-TERM OBLIGATIONS

St. Landry Waterworks District No. 2 Rural was approved for \$835,000 of Bond Anticipation Notes on May 10, 2007. As of June 30, 2008 the Waterworks District received \$217,000. This consists of \$50,000 provided by Iberia Bank as the first advance of the principal of Note R-1 and \$167,000 provided by Louisiana Public Facilities Authority as the advance of all of the principal of Note R-2. The proceeds of these notes are to be used to provide interim financing for a line extension. During the year ended June 30, 2008, the bond anticipation notes were paid off with permanent financing provided by USDA. Water Revenue Bonds Series 2007 were issued in the amount of \$835,000.

The following is a summary of long-term debt transactions:

		Series R-1	Series R-2	Series A	Series 2007	Total	Bond Anticipation Notes
	Balance, June 30, 2006 Reductions	\$732,610	\$43,164	\$117,054		\$892,828	\$217,000
	in principal Additions	12,234	724	2,639		15,597	217,000
	in principal		<u></u>		\$835,000	835,000	
	Balance, June 30, 2007 Reductions	720,376	42,440	114,415	835,000	1,712,231	L
F	in principal Additions in principal	12,795	758	2,761	3,209	19,523	3
F	Salance,						
	June 30, 2008	<u>707,581</u>	41,682	<u>111,654</u>	<u>831,791</u>	1,692,708	
				_	2008	· ·	2007
(1)	\$816,000 Water R due in monthly i at an interest r debt will be ret annual water rev	nstallments ate of 4.50 ired from e	of \$3,746 %. The	-1	\$707,58	1 \$	720,376
(2)	\$48,000 Water Redue in monthly i an interest rate be retired from	nstallments of 4.50%.	of \$221 a The debt	t will	41,68	2	42,440
(3)	\$136,000 Water R due in monthly i an interest rate be retired from	nstallments of 4.50%.	of \$654 a The debt	t will	111,65	4	114,415
(4)	\$835,000 Water R due in monthly i interest rate of	nstallments	of \$3,599	at an			
	retired from exc	ess annual	water reve	nues.	B31,79	<u> </u>	835,000
	Total bonds	payable			1,692,70	<u>1,</u>	712,231

#### NOTE (6) - LONG-TERM OBLIGATIONS - Continued

(5)	Bond Anticipation Notes	<u>-0-</u>	<u>-0-</u>
	Total interim financing	<u>-0-</u>	<u>-0-</u>

The annual requirements to amortize revenue bonds are as follows:

Year Ended June 30,	Series R-1	Series	Series A	Series	Total	Bond Anticipation Notes
2009	\$44,952	\$2,652	\$7,853	\$43,186	\$98,643	
2010	44,952	2,652	7,853	43,186	98,643	
2011	44,952	2,652	7,853	43,186	98,643	
2012	44,952	2,652	7,853	43,186	98,643	n
2013	44,952	2,652	7,853	43,186	98,643	Û
2014-2018	224,760	13,260	39,265	215,931	493,216	
2019-2023	224,760	13,260	39,265	215,931	493,216	
2024-2028	224,760	13,260	39,265	215,931	493,216	
2029-2033	224,760	13,260	21,455	215,931	475,406	
Thereafter	109,331	6,236		561,510	677,077	
Total principal						
and interest	1,233,131	72,536	178,515	1,641,164	3,125,346	
Less: interest	(525 <u>,550</u> )	(30,854)	(66,861)	(809,373)	(1,432,638)	<u>-0-</u>
Balance at						
June 30, 2008	707,581	41,682	<u>111,654</u>	831,791	<u>1,692,708</u>	<u>-0-</u>

Long-term liabilities including \$20,674 owed to the Village of Cankton for water purchased in prior years were paid in full December, 2007. The balance at June 30, 2008 was \$-0-.

#### NOTE (7) - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up of the following accounts:

	2008	2007
	•	
Petty cash	\$60	\$60
General Account - checking	54,102	65,584
General Account - savings	4,720	
Revenue account - savings	3,369	3,347
LAMP investment	11,679	11,231
Construction account - checking	100	35,563
Depreciation fund - savings	12,703	8,194
Reserve note fund - savings	39,241	34,560
Customers' deposits - checking	42,017	41,917
Cankton water - checking		4,728
	<u>167,991</u>	<u>205,184</u>

#### SUPPLEMENTARY INFORMATION

## ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL SUNSET, LOUISIANA SCHEDULE OF INSURANCE IN FORCE (UNAUDITED) JUNE 30, 2008

<u>Insurer</u>	Coverage	Coverage Limits		Period To
American Alternative Insurance Co. (Dupre-Carrier-Godchaux)	Commercial General Liability	\$3,000,000	2/8/08	2/8/09
American Alternative Insurance Co. (Dupre-Carrier-Godchaux)	Commercial property	Various	2/8/08	2/8/09
American Alternative Insurance Co. (Dupre-Carrier-Godchaux)	Boiler and machinery	500,000	2/8/08	2/8/09
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond - Robyn Cormier	100,000	2/8/08	2/8/09
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond - Ricky Theriot	100,000	2/8/08	2/8/09
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond ~ Bobby Richard	100,000	2/8/08	2/8/09
Employers Mutual Casualty Company (Dupre-Carrier-Godchaux)	Surety bond - Lois Register	100,000	2/8/08	2/8/09
LEMIC Insurance Company (Dupre-Carrier-Godchaux)	Worker's Compensation	500,000	5/29/08	5/29/09
Farm Bureau Insurance	Commercial General Liability	300,000	9/20/07	9/20/08
Farm Bureau Insurance	Automobile - 1988 GMC truck	300,000	7/3/08	1/3/09
Farm Bureau Insurance	Automobile - 2007 Dodge Dakota	300,000	5/11/08	11/11/08
National Union Fire Insurance Company of Pittsburg, PA (Dupre-Carrier-Godchaux)	Professional liabilit Policy on board members	y 1,000,000	10/15/07	10/15/08

### ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL SUNSET, LOUISIANA SCHEDULE OF DIRECTORS' AND OFFICERS' COMPENSATION AS OF JUNE 30, 2008

Name	Term Expires	<u>Title</u>	Address and Telephone Number	Compensation
Ricky Theriot	1/10	President	960 Hwy. 754 Sunset, LA 70584 (337) 684-6748	\$1,440
Bobby Richard	1/11	Vice-President	1321 Hwy. 754 Sunset, LA 70584 (337) 684-2294	1,440
Linic Richard	1/11	Secretary/ Treasurer	1056 Hwy. 356 Sunset, LA 70584 (337) 668-4276	1,440
Samuel Doucet	1/12	Board Member	916 Highway 754 Sunset, LA 70584 (337) 684-2180	1,440
Francis Henry (appointed 7/26/07)	1/09	Board Member	2192 Hwy. 356 Sunset, LA 70584	1,200

### ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL SUNSET, LOUISIANA SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

#### Section I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

#### 2007-1 Segregation of Duties

Management is aware of and has evaluated this inadequacy and concluded that the related costs versus benefits to be achieved does not justify the additional personnel it would require to establish an adequate segregation.

#### Section II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No prior year findings.

Section III - MANAGEMENT LETTER

No prior year findings.

#### RELATED REPORTS

Chizal S. Fontenot, CPA James L. Nicholson, Jr., CPA G. Kenneth Pavy, II, CPA Michael A. Roy, CPA Lisa Trouille Manuel, CPA Dana D. Quebedeaux, CPA



JOHN S. DOWLING & COMPANY
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER

FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS

BASED ON AN AUDIT OF

FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT

AUDITING STANDARDS

John S. Dowling, CPA 1904-1984 John Newton Stout, CPA 1936-2005

Retired

Harold Dupre, CPA 1996 Dwight Ledoux, CPA 1998 Joel Lanclos, Jr., CPA 2003 Russell J. Stelly, CPA 2005

To the Board of Directors St. Landry Waterworks District No. 2 Rural Sunset, Louisiana

We have audited the accompanying financial statements of the business-type activities of St. Landry Waterworks District No. 2 Rural, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the St. Landry Waterworks District No. 2 Rural's basic financial statements and have issued our report thereon dated September 24, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Landry Waterworks District No. 2 Rural's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Landry Waterworks District No. 2 Rural's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of St. Landry Waterworks District No. 2 Rural's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency (2008-1).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

To the Board of Directors
St. Landry Waterworks District No. 2 Rural
Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency is not a material weakness.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether St. Landry Waterworks District No. 2 Rural's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to the management of St. Landry Waterworks District No. 2, in a separate letter dated September 24, 2008.

This report is intended for the information and use of the Waterworks District's management and the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.

John S. Dowling & Company
Opelousas, Louisiana
September 24, 2008

### ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL SUNSET, LOUISIANA SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

#### Section I - SUMMARY OF AUDIT RESULTS

- 1. The auditor's report expresses an unqualified opinion on the financial statements of St. Landry Waterworks District No. 2 Rural.
- 2. One significant deficiency relating to the audit of the financial statements was reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
- 3. No instances of noncompliance relating to the audit of the financial statements was reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
- 4. There was no single audit required under OMB Circular A-133.

#### Section II - 2008 FINDINGS - FINANCIAL STATEMENT AUDIT

#### Internal Control

#### 2008-1. Inadequate Segregation of Duties Within Accounting Functions

#### Condition

St. Landry Waterworks District No. 2 Rural does not have adequate segregation of duties over receipts.

#### Criteria

Segregation of conflicting duties within accounting functions is a basic internal control.

#### Cause

Only one person performs accounting duties for the Waterworks District.

#### Effect

Inadequate segregation of duties within the accounting functions.

#### Recommendation

Based upon the size of the operation and the cost-benefit of additional personnel, it is not feasible to achieve complete segregation of duties within the accounting system.

#### Section III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

## ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL SUNSET, LOUISIANA SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

THROUGH GRANTOR/PASS- PROGRAM TITLE	FEDERAL CFDA NUMBER	AWARD TYPE	EXPENDITURES
United States Department of Agriculture/Water and Waste Disposal Systems for Rural Communities	10.760	Direct Award	

St. Landry Waterworks District No. 2 Rural has four revenue bonds outstanding with USDA Rural Development at June 30, 2008 as follows:

Revenue Bonds	Outstanding Balance		
Series R-1	\$707,581		
Series R-2	41,682		
Series A	111,654		
Series 2007	831,791		
	1,692,708		

### ST. LANDRY WATERWORKS DISTRICT NO. 2 RURAL SUNSET, LOUISIANA NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2008

#### NOTE (1) - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal award programs of St. Landry Waterworks District No. 2 Rural. The Waterworks District's reporting entity is defined in Note 1 to St. Landry Waterworks District No. 2 Rural's financial statements.

#### NOTE (2) - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to St. Landry Waterworks District No. 2 Rural's financial statements.

#### NOTE (3) - RELATIONSHIP TO FINANCIAL STATEMENTS

The bonds payable are reported in St. Landry Waterworks District No. 2 Rural's financial statements as a liability.

Chizal S. Fontenot, CPA James L. Nicholson, Jr., CPA G. Kenneth Pavy, II, CPA Michael A. Roy, CPA Lisa Trouille Manuel, CPA Dana D. Quebedeaux, CPA



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To the Board of Directors St. Landry Waterworks District No. 2 Rural Sunset, Louisiana

We have audited the financial statements of the St. Landry Waterworks District No. 2 Rural, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 24, 2008. We conducted our audit in accordance with generally accepted auditing standards, <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States.

As a part of our examination, we have issued our report on the financial statements, dated September 24, 2008, and our report on internal control and compliance with laws, regulations and contracts, dated September 24, 2008.

During the course of our examination, we became aware of the following matter which represents an immaterial instance of noncompliance.

2008-2. Incorrect Payments into Reserve Account

Condition: Waterworks District No. 2's payments into the Reserve Account were less than the amounts required.

Criteria: The USDA requires Waterworks District No. 2 to make payments of \$410 per month into the reserve account beginning February 20, 2008 and \$410 per month into the contingency account beginning February 20, 2008, until each account has a sum of \$98,266.

Effect: The reserve account and the contingency account each had \$200 less than what is required by the USDA at June 30, 2008.

Management's Response and Corrective Action: Secretary Robyn Cormier responded that she will make a deposit into each of the accounts to compensate for the difference in payments.

John S. O swling & Company
Opelousas, Louisiana
September 24, 2008